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OPERATION OF THE VA HOME LOAN GUARANTY PROGRAM, AND THE STATUS OF THE WITHLACOOCHEE VETERANS' NATIONAL CEMETERY

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND MEMORIAL AFFAIRS
OF THE

COMMITTEE ON VETERANS' AFFAIRS
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

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OPERATION OF THE VA HOME LOAN GUARANTY PROGRAM, AND THE STATUS OF THE WITHLACOOCHEE VETERANS' NATIONAL CEMETERY

SATURDAY, MARCH 30, 1985

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING AND MEMORIAL AFFAIRS,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:10 a.m., in the Gulf Comprehensive High School Auditorium, New Port Richey, FL, Hon. Richard Shelby (chairman of the subcommittee) presiding.

Present: Representatives Shelby, Bilirakis, and Ridge.

Mr. SHELBY. If everybody will take their seat, we will come to order.

The first thing I want to do is call on the chaplain, who will start this meeting with a prayer.

The CHAPLAIN. Almighty God, we thank Thee for bringing us together this day. Inspire us to worthy deeds and sound decisions, and direct us toward the attainment of our goals. We pray Thee to bless and protect all of our people, guide us on to the path to unity and harmony, that we may serve Thee and Thy people in keeping with Thy holy will. Amen.

OPENING STATEMENT OF CHAIRMAN SHELBY

Mr. SHELBY. The committee is now in session.

I will have to say that this is the subcommittee's first field hearing this year, 1985, and I am particularly happy to be here in Florida in the sunshine.

I understand from Mr. Bilirakis, your Congressman, that there are a quarter of a million veterans in the three surrounding counties. That is very impressive. You serve your constituency well.

I also want to take this opportunity to welcome Congressman Tom Ridge of Pennsylvania to this hearing. Tom is on my extreme right. He is a new member of the Veterans' Affairs Committee. He also serves on the Banking Committee and the Committee on Aging, which is a select committee in the House. Tom is a combat veteran of Vietnam and is especially qualified to serve on the Veterans' Affairs Committee.

Tom, I want to join with Mike in welcoming you to Florida and to our first field hearing.

Mr. RIDGE. Thank you, Mr. Chairman.

Mr. SHELBY. We have already had a busy year. Several hearings have been held in Washington on pending issues very important to veterans. We are here today to get a grass roots feeling on how the VA Home Loan Guaranty Program is working in Florida, as well as local opinions on budget proposals and pending legislation regarding VA cemeteries, including the type of markers, upright or flat, and so forth.

The VA Home Loan Guaranty Program has been a huge success over the years. Over 11 million loans have been guaranteed since its inception 41 years ago—400,000 of which have been in the State of Florida. Not only does this program benefit our veterans, but it has served to boost the economy all over the country.

Faced in the Congress with record high deficits, the Office of Management and Budget of the administration has proposed recommendations in both the fiscal year 1985 and fiscal year 1986 VA budgets which, if enacted, could serve to kill this beneficial VA Home Loan Guaranty Program.

Unfortunately, these proposals have been directed only toward a single year's budget rather than toward any true long-term reduction in budget deficits. The Congress rejected last year's proposal and made its intention clear that we continue to keep this VA Home Loan Guaranty Program operating.

The fiscal year 1986 budget, however, contains another back door approach to harming the program. It proposes that the user fee be increased from 1 percent to 5 percent. This 5 percent user fee would result in veterans being charged an average amount of $3,000 for the privilege of using the program. This would just about kill the beneficial aspects of the no-down-payment feature of the program and basically would destroy it. In essence, this could be considered as a down payment requirement without giving the veteran the benefit of reducing the principal on his mortgage—in other words, a selective tax burden on home-buying veterans.

I want to say here before you here in Florida that as chairman of the subcommittee I am going to oppose that. I am going to fight it. Even the VA Administrator himself characterizes his endorsement as reluctant—in other words, pressure from the administration—and urges caution.

This morning, as I said, we will also hear status reports on the Withlacoochee National Cemetery and the recent reopening of the national cemetery at Bay Pines, in which a lot of you are interested.

The subcommittee currently has pending before it legislation which would expand the national cemetery system as well as require the placement of upright headstones in national cemeteries. I look forward to hearing opinions on those issues.

We will first hear from the Assistant Director of the VA Regional Office, Mr. Tom Jensen, who is accompanied by John Mason, the Loan Guaranty Officer. But before we get into that, I want to first recognize my colleague from Florida, Mr. Michael Bilirakis. [Applause.]

Mr. BILIRAKIS. Thank you, Mr. Chairman.

Mr. Chairman, before I get into my formal remarks, I would like to tell you and my colleague, Tom Ridge, how nice it is to be back home and to be before this great group. One of the highlights of my

service in the Congress has been my work with the veterans of the Ninth Congressional District, and really, more particularly, the veterans of west Pasco County. It has been wonderful working with you. We have been able to accomplish quite a few things together and I am pleased to be here again.

I would like to acknowledge my gratitude to the school board and the school officials, and particularly the principal and New Port Richey City Commissioner, Bob Pryor, for the use of this auditorium. Bob has always made the facilities available for town meetings and for congressional hearings. Bob, thanks again so much for everything you have done. [Applause.]

In our audience are very many important people—all of you are very important people, august people, but particularly we have a gentleman who is going to testify later on and the chairman will identify him later. I am very proud that we have the Department Commander of the State of Florida, Veterans of Foreign Wars here, Mr. Ed Shuman. [Applause.]

We also have the District Commander for this area, a man that I'm very proud of and who is a member in my District in Clearwater, Mr. Harry Burroughs. Harry, thanks for coming. [Applause.]

And a gentleman who has been a great proponent for veterans—my office works great with him—here he is again, Smokey Stover. Smokey came up here and is willing to offer any assistance we may need. Smokey, thanks for coming, sir. [Applause.]

Of course, all of you department commanders and past commanders and post commanders, thank you so much for coming.

Mr. Chairman, let me first say how much I appreciate your bringing the Subcommittee on Housing and Memorial Affairs to Florida's Ninth Congressional District for this important hearing. I know how very busy you are with your duties in Washington and your many commitments in your own district.

I might add for the audience that the chairman has also thrown his hat in the ring to run for the U.S. Senate in Alabama. Here is a gentleman who cares enough about the veterans to still travel around the country, in spite of the fact that he certainly can use his time very valuably in the State of Alabama. I appreciate that, sir.

In the two-plus years I have served on this subcommittee under your leadership I have always been most impressed with your interest in hearing what the grass roots veteran has to say about the issues under consideration. There is just so much valuable information, as we already have seen this morning, to be gathered in field hearings such as this one, information we just cannot get if we stay in our ivory tower in Washington. So I just wanted to say thanks to you, Mr. Chairman, and to our colleague, Congressman Tom Ridge from Erie, PA.

Tom has a tough district up there and he has to be home every weekend in order to work that district. It is just very important. And yet he has taken the time out for me and for the chairman and for the veterans of the Ninth Congressional District to come here. Tom, I really appreciate your taking the time to come here. I appreciate all of you being here.

OPENING STATEMENT OF HON. MICHAEL BILIRAKIS

Since its inception some 40 years ago, the VA Home Loan Program has helped millions of veterans fulfill the basic American dream of home ownership. The program makes it possible for veterans to compete in the marketplace for credit with their peers who were not obliged to forego the pursuit of gainful occupations by reason of service to our country. In recent years, however, lingering economic problems, specific changes in the program, and proposals for further changes seem to have joined forces to create a crisis of confidence in the ability of the program to continue to effectively help veterans become homeowners. It is the duty of this subcommittee to examine those regional and national issues which challenge the success of the home loan program to hear from those who use and operate the program on their experiences with it.

Among the issues I would like to touch on today is the potential effect on participation in the program of a 4 percent increase in the loan origination fee as proposed this year by the administration. While I think we have successfully opposed such a change this year, as the chairman has already said, I think it is important for us to have this data for future reference. So we need your testimony and your comments in order to fight things like this.

I also want to look at the effect of last year's increase in the origination fee from one-half to 1 percent. On a regional level, we all have some questions about the 43 percent increase in defaults on VA-backed loans in the State of Florida between 1979 and 1983 and the impact of the 1983 transfer of the VA's Florida Regional Loan Guaranty Division from Jacksonville to St. Petersburg.

The Ninth District in general, and the New Port Richey area in particular, is an ideal setting to make our inquiry into these aspects of the VA home loan program. The three counties which make up the district, as the chairman has already told us—Pasco, Pinellas, and Hillsborough—have a combined veteran population of 247,000. That's almost a quarter of a million veterans in these three Florida counties alone. Of that number, approximately 64,000 are Vietnam-era veterans who, as a group, are probably the most active users of the home loan program. Furthermore, New Port Richey is the home of Veterans Village, the only community of its kind in the country—although I understand a new Veterans Village is under construction at Homestead on Florida's east coast.

I was pleased to host Congressmen Shelby and Ridge on a tour of Veterans Village this morning so they could see first hand a community specifically designed for veterans in which many of the homes were purchased and adapted through the VA Home Loan Program.

In addition to housing interests, we also felt this hearing would be a most appropriate forum for receiving an update on the planned Withlacoochee National Cemetery and for discussing a legislative proposal to give veterans a choice of gravemarkers for burial in national cemeteries—the upright markers versus the flat markers. These memorial affairs issues are of great concern for this large and growing population of elderly veterans and their families, of which we have so many here in the central gulf coast area.

Mr. Chairman, I apologize for my very lengthy remarks. I look forward to the testimony of our witnesses and the opportunity to question them. Thank you very much.

Mr. SHELBY. The Chair recognizes Congressman Ridge of Pennsylvania.

OPENING STATEMENT OF HON. TOM RIDGE

Mr. RIDGE. Thank you, Mr. Chairman.

First of all I want to thank our host Congressman, Congressman Mike Bilirakis, for the warm and gracious hospitality that he has extended. He told me the Sun would be warm and the people would be warm, and gracious, too, and it's nice to be with you.

I also want to thank you, Mr. Chairman, for giving me the opportunity to serve with you on this first subcommittee hearing on these very, very important issues. I have the suspicion that the three of us here are extremely concerned about the proposed changes in the programs designed to meet the primary housing needs of the veterans. And whether it be the purchase of a retirement home in a Florida community, or a first-time home buyer, regardless of what era you may have served in, be it World War II, Korea, or the Vietnam era, it is a pretty important program to a lot of veterans.

The idea that we would be considering taking a loan origination fee from 1 percent and raising it to 5 percent—recognizing, of course, that we do have some very serious concerns about the deficit, and we have some very serious problems with reducing it to see that particular program affected by such a drastic change from 1 percent to 5 percent I think is something that no one on this subcommittee panel wants and we are actively opposed to it.

So it is good for me, coming from the State of Pennsylvania, where we are proud of our tradition of service and the number of veterans that we serve, to make some new friends down here with your friends, Congressman Bilirakis, among the VFW and American Legion, I do want to extend my sincere appreciation to all of you.

You know, if we were up home on a Saturday and it was this nice, and I held a subcommittee hearing, there wouldn't be anybody in the gymnasium. So it is a tribute to you, Mike, and to you, Mr. Chairman, and I look forward to the hearing.

Thank you very much. [Applause.]

Mr. SHELBY. I want to now recognize Congressman Bilirakis for an award that he chooses to make.

Mr. BILIRAKIS. Thank you, Mr. Chairman.

Before I do, very quickly, I would like to recognize four great people, just to give you an idea of how well we work together in local government and their interest in veterans affairs, as well as their interest in all of the population of this area. We have in the audience State Representative John Renke. John, thanks for coming this morning. [Applause.]

And members of the County Commission, three hard-working people, Ann Hildebrand, Sylvia Young, and Mike Wells. Thank you all for coming. [Applause.]

Before we officially begin this hearing, with your further indulgence, I would like to take a moment to pay tribute to a 74-year-old Port Richey veteran who distinguished himself in combat during World War II. Bill Morrison was a second lieutenant in the 9th Infantry when the Germans were pounding away at American troops during the Battle of the Bulge. His platoon had been decimated and our boys were losing ground to the Germans.

The odds against him, however, did not stop Bill Morrison and his men. Setting up a machinegun station, these eight men held the Germans back for 2 days until backups arrived. In fighting literally for their survival with such rare courage, they brought honor to themselves, to the 9th Infantry, and to their country.

For his bravery, Bill Morrison was awarded the bronze star. Unfortunately, Bill did not receive his bronze star and the other combat medals he had earned until some 40 years later. Bureaucratic mishaps and delays caused him to wait that long for his justly-earned honors. When Bill finally did receive his medals, there was no pat on the back, no "thank you, Bill", from a grateful Nation. Instead, the medals were actually sent to Bill by parcel post.

I don't believe this is a fitting display of the Nation's gratitude to a man who had served us so well in time of need. So I wanted to take this opportunity to honor Bill Morrison before his fellow veterans, who know so well what it is to fight courageously for their country. This distinction, Bill, is well deserved and long overdue, and I am proud on behalf of myself, on behalf of the Chairman, Richard Shelby, and Congressman Tom Ridge, and the U.S. Government, to present this bronze star to you. Thank you, sir, for your fine service to our country, and God bless you.

[Standing ovation.]

Mr. SHELBY. Congressman Bilirakis, it is worth coming here just to see this, what we have all witnessed and become part of. Unfortunately it is 40 years late; but we recognize you today and are pleased to honor you in front of many people who know you well. You deserve it.

At this time I want to recognize the district 21 Commander of the VFW, Harry Burroughs, for a presentation. Mr. Burroughs.

Mr. BURROUGHS. It gives me great pleasure to represent the 6,500 members of the Veterans of Foreign Wars, District 21, in the State of Florida, which encompasses northern Pinellas County, west Pasco County, and southern Hernando. We have singled out one man who has done so much work for veterans, not only with his congressional level but as a person. I would like to present this plaque to Mike Bilirakis.

"Presented to Michael Bilirakis in appreciation for his outstanding work for the Veterans of Foreign Wars in the 21st district." Congratulations, Mike. [Applause.]

Mr. BILIRAKIS. Thank you, my comrades.

Mr. SHELBY. We are now going to begin our hearing. We have before us Mr. Thomas Jensen, Assistant Director, VA Regional Office, St. Petersburg, who is accompanied by Mr. John Mason, loan guaranty officer, and Mr. Thomas Johnson, chief appraiser.

Gentlemen, if you will come on up to the front. Your written testimony will be submitted to the record, without objection. If you would, please basically sum up your remarks.

STATEMENT OF THOMAS R. JENSEN, ASSISTANT DIRECTOR, VA REGIONAL OFFICE, ST. PETERSBURG, ACCOMPANIED BY JOHN MASON, LOAN GUARANTY OFFICER, AND THOMAS JOHNSON, CHIEF APPRAISER

Mr. JENSEN. Mr. Chairman, members of the subcommittee, we are here today to present the views of the Veterans' Administration Regional Office in St. Petersburg on two proposals in the administration's fiscal year 1986 budget. Of course, these are the proposed increase in the funding fee from 1 to 5 percent, and the repeal of the VA's authority to set maximum loan interest rates. We will also address briefly the property appraisal process and review some of the causes of defaults and foreclosures.

Since the proposed 5 percent funding fee may be financed over the term of the loan, there still will be considerable demand for VA guaranteed loans. We feel that, even with the 5-percent funding fee, many veterans will still choose to "go VA" because of the no-down-payment provision.

However, there certainly will be somewhat less demand at any given rate of interest, and this is because the slightly higher monthly payments will cause some veterans to fail to qualify and because the more sophisticated borrower will realize that 5 percent financed over 30 years amounts to a lot of money.

I might also point out, which I think you have already done, that this 5 percent will not add to the equity in the veteran's house. Of course, it is intended that there will be no funding fee for service-connected disabled veterans.

As proposed, the increased fee would also be required on many VA financed sales of VA owned properties acquired as a result of default and foreclosure. This clearly will not enhance our ability to sell such properties and, consequently, could result in increased losses for the Government.

If the VA's authority to set maximum interest rates is repealed, veterans would be able to negotiate rates tailored to their needs and circumstances. Negotiability could prevent veterans from losing the opportunity to make a purchase when market conditions change as has happened under the fixed-rate ceiling. We foresee no adverse effects in this proposal.

Title 38, United States Code, section 1810, limits the amount of a VA guaranteed loan on a property to the reasonable value of the property as determined by the agency—that is, the Veterans' Administration. Appraisals are performed for the VA by qualified, non-Government appraisers. Appraisers are instructed to estimate the reasonable market value of a property based upon sound appraisal practices. These appraisals are submitted to our office and each is reviewed by a qualified staff appraiser. To supplement these office reviews, a sample of 10 percent are field reviewed. This means that our people actually personally inspect the properties that are being appraised.

We believe that the vast majority of appraisals performed for the VA in Florida accurately reflect their fair market value. I would like to point out that the average VA purchase price nationwide for the last 12 months, for VA-guaranteed loans, was $67,500. The average in Florida was only $59,900. Only 3.8 percent of loans in Florida had purchase prices in excess of the VA determined reasonable value.

When a veteran, for whatever reason, will not or cannot continue to pay mortgage payments, the lender may exercise the right to commence foreclosure proceedings. In such case, the VA orders another appraisal to determine the current value of the property and to help determine whether it is in the interest of the Government to take title to the property following foreclosure. The appraiser is given exactly the same instructions on foreclosure appraisals as on origination appraisals; that is, estimate the reasonable market value. To prevent foreclosure status of a loan from unduly influencing a determination of reasonable value, all foreclosure appraisals on properties indicating values 20 percent or more below the original valuations are field reviewed.

I would like to point out that selection of appraisers to perform appraisal services for the VA is controlled entirely by the VA. Requests for specific appraisers made by prospective lenders are denied in deference to a rigid assignment, control, and oversight procedure.

Our office has identified six major reasons for default and foreclosure. This is based upon a sample that we recently took of 100 randomly selected cases. Our findings are that 35 percent of foreclosures is due to disregard for the obligation; 27 percent is due to loss or reduction of income; 17 percent is due to overobligation; 10 percent is due to marital problems; 8 percent due to illness; and 3 percent transfer.

We also feel that the current high level of default throughout the country is due in part to the recent decline in the rate of real estate appreciation.

If an individual experiences payment problems today, after having owned a property for only a few years, there usually is very little equity to help cover delinquencies and costs of selling the property if he is fortunate enough to find a buyer. In such cases, selling the property may not solve the individual's financial problems.

I am happy to be able to report to you that during fiscal year 1984 our office processed 7.1 percent of all VA guaranteed loans. However, we had only 6.4 percent of all defaults.

Mr. Chairman, that concludes my presentation. We will be happy to attempt to answer any questions you may have.

[The statement of Thomas R. Jensen appears at p. 37.]

Mr. SHELBY. I appreciate your testimony and your appearance here today.

At a hearing held before the full Committee on Veterans' Affairs, recently Harry Walters, the VA Administrator, characterized his endorsement of the 5-percent user fee proposal as "reluctant" because no one knew its exact potential effect. It has also been stated that this proposal originated in the Office of Management and Budget, rather than the VA.

Since we know the VA's official position, which comes through the administration, could you give us your personal opinion, or would that encroach on some directive you may have had from the Veterans' Administration?

Mr. JENSEN. No, sir, I have no directive and would be glad to tell you my personal opinion. I would like to point out my perspective is limited to the administration of the VA benefit program in the State of Florida, to that extent I personally don't like to see anything that makes it more difficult for us to deliver benefits to veterans. I think from my statement you can ascertain that my point of view is the 5-percent funding fee would diminish demand for VA guaranteed loans.

Mr. SHELBY. According to the Congressional Budget Office, instead of the proposal saving money as stated to us by the Office of Management and Budget, the impact could be the reverse. In other words, the Loan Guaranty Revolving Fund outlays in 1990 could actually be higher than would be expected under current law.

Do you think there is potential for this happening?

Mr. JENSEN. If my belief is correct, that we have in economics what is called an elastic product, and as the price goes up, demand goes down, there very well might be a point beyond which overall revenues would be less than they are now.

Mr. SHELBY. Let's talk about Florida.

How do you think the Loan Guaranty Program is basically working in Florida? How many loans were approved last year?

Mr. JENSEN. Let me admit my bias, but I think I have some facts to back up my point of view.

I think that the loan program in Florida can be favorably compared to any similar program in the other States. I think I have testimony from the builders and lenders in this State, recently following our relocation from Jacksonville, that clearly indicates that they are, for the most part, satisfied with the kind of work they're getting out of our office in St. Petersburg. I can also assure you that the work is timely, even though we have fewer people. When the program was in Jacksonville we had approximately 150 people in the division, but because we have been sustaining staff reductions over the past several years—over 200 in the 4½ years that I have been in St. Petersburg—we now have only 88 employees to allocate to the Loan Guaranty Division.

With that reduced staffing, our timeliness has actually improved, compared to what it was when the division was in Jacksonville in 1981.

Mr. SHELBY. What percent of all VA guaranteed home loans in the country were made in Florida, in the St. Petersburg office? Do you have some figures on that?

Mr. JENSEN. Seven point one, sir.

Mr. SHELBY. That's a lot of loans, isn't it?

Mr. JENSEN. Yes, sir. It's the largest program in the entire country.

Mr. SHELBY. Thank you.

The Chair recognizes the gentleman from Florida, Mr. Bilirakis.

Mr. BILIRAKIS. Thank you, Mr. Chairman.

Sir, you referred to the transfer of the Regional Loan Guaranty Division from Jacksonville to St. Petersburg in July 1983. At a

March 5 subcommittee hearing in Washington, Mr. John Koelemij, who is a homebuilder in Tallahassee and the president of the National Association of Home Builders, testified that the move has caused some problems in cooperation and communication between the VA and the housing industry.

Now, Mr. Jensen has already commented that he thinks the move has actually enhanced the program. So does that basically mean you disagree with Mr. Koelemij's testimony?

Mr. JENSEN. If he says that the program is not working as efficiently and that we're not processing commitments and certificates of reasonable value more timely than we were in Jacksonville, to that extent I would disagree with him, sir.

Mr. BILIRAKIS. Have there been any problems that have resulted because of the move?

Mr. JENSEN. Absolutely. Any time you take a program of that size—and I might point out that it doesn't happen that often with Government programs, to relocate them over a great number of miles—there are some startup problems. We had these initially, in the latter part of the summer of 1983, and into part of the fall. Approximately the latter part of 1983 we got everything under control and since then the program has been working very well.

Mr. BILIRAKIS. OK. So basically what you're saying, sir, is that the problems were expected-type problems as a result of the transition, but that things have improved since then?

Mr. JENSEN. We were concerned that there would be some difficulties because we had a number of people who chose not to come with the program, so we had to hire and train new people. Some problems were anticipated and, surely enough, they occurred.

Mr. BILIRAKIS. Thank you.

In my opening remarks, gentlemen, I indicated that there had been a 43-percent increase in defaults in Florida on veterans home loans, and additionally, I understand there has been an 18-percent increase in liquidations and foreclosures between 1979 and 1983 in the State of Florida.

Now, that's important. It's important to the veterans, it's important to us. We have got to get to the reasons for it. Some of those reasons maybe we can't do anything about, but then some of them we can, all of us together.

What do you all see as the causes of this trend?

Mr. JENSEN. Two things, primarily: the general condition of the economy and the effect it had on tourism in Florida, and on some of the other industries in the State, and the unusually high rates of interest in the early part of the 1980's where people were getting home loans with rates of interest 15, 16 and 17 percent, which over time would cause a tremendous burden on a family to meet their monthly mortgage obligations.

That rate of interest has since declined and the economy has improved, and we anticipate that the rate of foreclosures and defaults will accordingly decline.

Mr. BILIRAKIS. The interest rates are on fixed-rate mortgages, are they not?

Mr. JENSEN. Yes, sir.

Mr. BILIRAKIS. Does the VA Home Loan Program provide for allowing adjustable rate mortgages, where the rates might go up over and above the initial one?

Mr. MASON. No, sir. One condition of the GI home loan is that it is assumable. However, when the interest rate is 17½ percent, the veteran has lost a lot of incentive to sell his home to someone when the rate drops down to 13 or 14 percent. However, there is a provision where the veteran can refinance an existing home loan and get a lower interest charge. But with the interest rate dropping from 17½ percent down to 12½ percent, there is not much incentive for someone to go in and assume a 17½-percent mortgage. As a result, many of those go to foreclosure if they don't refinance.

Mr. BILIRAKIS. The law then requires that all VA loans be assumable? In other words, the financial institution cannot apply any restrictions to that mortgage; is that right?

Mr. JENSEN. That's correct.

Mr. MASON. With one exception.

Mr. BILIRAKIS. But at the time that veteran qualified for the loan, it was determined, was it not, that that veteran could make those monthly payments at that 17½-percent interest rate?

Mr. JENSEN. Based upon the information that was provided to us on the loan application, and the verification that we got from employers, it was our opinion in each and every case that the person could meet the monthly mortgage obligations, yes, sir.

Now, that doesn't address changes in his financial situation that might occur in the future.

Mr. BILIRAKIS. What is the most recent data on defaults and foreclosures? Is the curve still going up, would you say?

Mr. MASON. No, sir. The defaults have gone down from approximately 800 a year ago to about 650 presently.

Mr. BILIRAKIS. I know that Mr. Jensen's testimony placed a lot of emphasis on appraising property and the origination appraisal and whatnot, but have we ever felt that possibly some of this property might have been overpriced at the time the sale was made to the veteran? What's our experience there?

Mr. JENSEN. I have not seen any indication of that. In my prepared remarks I pointed out that the average sale price of a house in Florida is considerably below that of the rest of the country.

Mr. BILIRAKIS. Well, you may not be comparing apples with apples there.

Mr. JENSEN. For the most part you are, because only slightly over 3 percent of the houses sold at a price above what we consider to be the reasonable value of that property, so there is a very close relationship between the sales price and the certificate of reasonable value that we issue.

Mr. BILIRAKIS. Does the financial institution, at the time that an application is made, have an independent appraisal of the property, or do they depend upon your appraisal?

Mr. JENSEN. They depend upon our appraisal as far as we know.

Mr. BILIRAKIS. Do we know that the VA appraisal ordinarily would square with the financial institution's independent appraisal, if there were one?

Mr. JENSEN. I have no reason to believe otherwise. The appraisers that we are assigning to appraise properties are fee-based ap-

praisers. They do work for the Veterans' Administration and they also do work for conventional lenders.

Mr. BILIRAKIS. It's not your experience, then, that they might do a little bit of bending, if you will, because it's a veteran's loan and maybe appraise it a little higher?

Mr. JENSEN. I can't tell you that there is not an isolated case of that, but I have found no evidence of it overall.

Mr. BILIRAKIS. Well, certainly, if there is bending, I think we would all agree that that's great, but I am just wondering how much good we are doing the veteran if he loses his home in a matter of a few months or during the early part of that mortgage.

Thank you, Mr. Jensen, for your fine testimony.

Thank you, Mr. Chairman.

Mr. SHELBY. The Chair recognizes the gentleman from Pennsylvania, Mr. Ridge.

Mr. RIDGE. Thank you.

Mr. Jensen, if I put in an application for a loan now, what would the rate be?

Mr. JENSEN. Thirteen percent, sir.

Mr. RIDGE. From time to time it's interesting that some people not familiar with the VA loan program somehow think that we're subsidizing far below market rates the interest rates for veterans. I just brought that out to clarify that it is consistent with market rates.

How long does it take to process in your region, from application to completion, to the sale? Do you have an average?

Mr. MASON. Let me approach it on the overall package.

Typically, a veteran finds a house that he or she wishes to buy and they go to the mortgage company or a savings and loan and make application. The bank then calls the Veterans' Administration and we assign a fee appraiser to perform that appraisal. The appraiser then has 5 days to finish his report and send it in to the VA.

We have standards that have been established by Washington, DC that tell us we must get at least 85 percent of all appraisals completed and mailed out within 15 days from the date of the request. We have not failed to meet that standard from late in 1983.

After the veteran makes application and the appraisal is done, the lender, in 50 percent of the cases, processes the loan and closes the loan and then reports it to the Veterans' Administration as a closed loan, so the control over the time is strictly in the hands of the lender. In the other 50 percent of the cases, the application is sent to the Veterans' Administration and we have a mandated standard of 85 percent within 8 days. We're talking calendar days, not work days. We have not failed to meet that standard since late in 1983. Most all of the prior approval commitments are issued within 7 days.

Mr. JENSEN. I might add one thing. In February 1981, when the Loan Guaranty Division was still in Jacksonville, in our loan processing section we had 34 employees and had 1,188 hours of work pending at the end of the month. At the end of February 1985, we had 16 employees in the loan processing section and only 570 hours of work pending. So we have half as many employees and half as much work pending, indicating very good timeliness.

Mr. RIDGE. I appreciate that information.

Could you share with me whether or not, when you're dealing with a loan application from a disabled veteran, whether there are just one or two financial institutions that you may normally process through, or whether or not you use a variety of institutions? I know in northwestern Pennsylvania, over the years, there have been one or two that have been particularly sensitive to the needs of disabled veterans and have worked very, very closely with the VA. I was wondering if that procedure was employed in this jurisdiction.

Mr. JENSEN. We have a policy of not recommending any financial institution.

Mr. RIDGE. How much of your portfolio includes first-time financing or second- or third-time refinancing?

Mr. JENSEN. I'm sorry, sir. We don't have that information.

Mr. RIDGE. Just one final question. From a personal point of view, do you have any idea of the 7.1 percent of the loans you made nationwide last year, how many were some of my Vietnam-era veterans? Have they been taking advantage of the program?

Mr. JENSEN. It would be a guess on my part. I would say in Florida it has been good.

Mr. RIDGE. Thank you very much.

Mr. SHELBY. Thank you, gentlemen, for appearing before us.

I am going to skip around a little bit on our next panel and bring up Mr. Dennis Ross, Mr. James Hazelwood, and Mr. Ken Hyatt of the Jim Walter Corp. and Georgia Marble. They're going to talk about the upright versus the flat markers.

Mr. BILIRAKIS. Mr. Chairman, if I may, I hope that our veterans in the audience understand basically the problem. There is a certain segment that wants strictly the upright markers in the national cemeteries, and then there is another segment that feels the veteran's family ought to have the option of either the uprights or the flats. This is what this is all about.

Thank you, Mr. Chairman.

Mr. ROSS. Thank you, Mr. Chairman. We are very pleased to be here today. Jim Hazelwood of Georgia Marble will be giving our primary testimony, and we would be very pleased to answer any questions you have.

Mr. SHELBY. Mr. Hazelwood, any written testimony that you may have will be submitted for the record. We will leave the record open for a week for any additional comments that you or anybody else appearing here today would care to add to the record. If you will just basically sum up your remarks for the record, that will give us a chance to ask questions.

STATEMENT OF JAMES W. HAZELWOOD, JR., DIRECTOR OF MARKETING, GEORGIA MARBLE CO., ACCOMPANIED BY DENNIS ROSS AND KENNETH HYATT, JIM WALTER CORP., TAMPA, FL

Mr. HAZELWOOD. Thank you, Mr. Chairman.

Mr. Chairman and members of the subcommittee, my name is James W. Hazelwood, Jr. I am appearing today on behalf of The Georgia Marble Co., a supplier of upright markers for national cemeteries and other cemeteries.

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As you are aware, the House of Representatives last year unanimously passed H.R. 4686, sponsored by Congressman Montgomery, which mandated the use of upright markers in national cemeteries except when eligible families request a flat marker. In addition, a similar bill was introduced in the Senate by Senators Boschwitz, Pressler, and Abdnor but not passed. The Senate's position prevailed in the conference committee.

We are very pleased that this important matter has been brought before the Congress again this session in the form of H.R. 757 by Congressmen Shelby and Smith. Mr. Chairman, the introduction of this legislation has been promoted by a Veterans' Administration circular published March 1, 1982, which eliminated the use of upright markers in all of the new sections of existing national cemeteries and all new national cemeteries. This arbitrary elimination of the use of upright markers has been vigorously opposed by virtually all veterans' organizations and many individual veterans.

Interestingly, the VA grandfathered the use of traditional upright marble markers within existing upright monument areas of national cemeteries and in private cemeteries, thus providing the families of veterans in those instances freedom of choice in the selection of the types of markers for the deceased veterans in those cemeteries.

There has always been a special honor, prestige, and measure of status associated with a veteran's burial and especially in a national cemetery. The vision which most Americans have of a national cemetery associates with the use of dignified and impressive upright marble markers. The Arlington National Cemetery serves as the prime example of this sort of cemetery.

While we continue to believe that tradition would best be maintained through the exclusive use of upright markers, at the least the policy should be such as to permit freedom of choice on the part of the families of deceased servicemen to select a type of marker most compatible with the individual cemetery and its surroundings.

However, under the banner of cost reduction—and we have yet to see any cost analysis which clearly demonstrates any significant savings—an arbitrary prohibition has been created against the use of upright marble markers in new cemeteries which violates a sense of fair treatment.

We recognize that the invoking of the issue of patriotism in connection with this issue by a company which has a vested economic interest may be suspect to some. However, because of that very involvement, our company has a high sensitivity to this issue. We feel it is a travesty to a proud tradition to deny the families of those who have served their country the ability to select the type of grave marker which instills pride and a sense of our Nation's history.

Mr. Chairman, we are not alone in our view on this matter. The Veterans of Foreign Wars, the American Legion, and the Disabled American Veterans are actively supporting this position.

Although the question of freedom of choice is relevant to all national cemetery locations, the availability of upright markers is of special concern to those sections of our country where there is sig-

nificant winter snowfall. Senators Boschwitz, Pressler, and Abdnor have spoken eloquently to this concern. Senator Pressler has said:

> Midwestern winters are long and hard. Snow often comes early and stays with us until spring. Blizzards are frequent, and in weather conditions like this, many times the flat markers are covered with snow and are very difficult to locate.

Mr. Chairman, there have been various cost figures quoted by the Veterans' Administration, most of which are based upon mandatory utilization of upright markers and retroactive replacement of flat markers with upright markers. The Veterans' Affairs Committee, however, reached a finding last session of concurring with the Congressional Budget Office, that "this provision would not have a significant budgetary impact."

In closing, Mr. Chairman, it is our view that the tradition and dignity represented by upright markers in national cemeteries is of sufficient significance that it would be in the national intrest to require the use of such markers. At the very least, it is totally inappropriate to deny freedom of choice to a veteran or his family. We hope that the committee and the Congress will see fit to pass Congressman Shelby's legislation.

Mr. SHELBY. The Chair recognizes the Congressman from Florida, Mr. Bilirakis, for any questions or comments.

Mr. BILIRAKIS. Thank you, Mr. Chairman.

Mr. Hazelwood, it is good to see you again, this time in Florida. Mr. Ross, we appreciate you bringing Mr. Hazelwood here.

I think our fellow veterans should know that the chairman of the Veterans' Affairs Committee, "Sonny" Montgomery of Mississippi, has made it pretty clear to us that he prefers the upright marker. The bill at that time was to that effect. The Veterans' Administration, however, concurs with flat markers because they maintain the maintenance is a lot simpler. The veterans organizations who testified in that hearing some time last year said to us they felt the family ought to have an option, to determine for themselves whether they want the upright marker or whether they want the flat marker. I tend to agree with the veterans organizations in that respect.

But getting to the arguments made by the Veterans' Administration about costs—and we have already addressed that portion—they have also made points that the upright markers are very difficult from the standpoint of maintenance and that flat markers make it an awful lot easier. Could you briefly review those points? You sort of rebutted their points in the March 14 hearing and did a good job of it, but I wonder if you could expand upon that.

Mr. HAZELWOOD. Yes, sir. The argument that I heard was that the upright markers tilted, that the VA had to align them, that they couldn't mow the cemeteries as fast as they could with flat markers. The point I made was that we have a 230-pound upright marble marker that, when properly placed, won't tilt. If it is not properly placed, it could tilt.

If they have a 130-pound flat granite or marble marker, and the VA is running over those markers with tractors and trucks to maintain the cemetery, a 130-pound flat marker sinks into the ground and it must be realigned. If they run over a corner of the marker they could crack it and it would have to be replaced. As all

machinery does, it leaks grease and oil and gasoline, which falls on the flat marker and has to be cleaned off. The flat marker has got to be edged just like the upright marker has to be edged, as the grass begins to grow around the marker.

When the grass gets cut, the grass clippings cover the flat markers and they have to be blown off or cleaned off, and all of those various things cost money, also. I think the comparison is they can run a lawnmower over a flat marker cemetery very quickly and that reduces their cost, but I haven't seen any figures on that, and we haven't seen any figures on the other factors.

Mr. BILIRAKIS. I think, Mr. Hazelwood, I would merely add that the veterans will be coming up later to testify and could maybe address this particular point, too, because it is important that we know what their feelings are.

Thank you, Mr. Chairman.

Mr. SHELBY. Mr. Ridge.

Mr. RIDGE. Thank you, Mr. Chairman.

Just one quick statement and one quick question, Mr. Chairman. It is my understanding that the amendment to the bill by Mr. Montgomery, in order to give the veterans a choice between the upright and flat marker, was offered by our colleague, Congressman Bilirakis; do I recall correctly?

Mr. SHELBY. Yes.

Mr. RIDGE. I thought it was, and I just wanted to bring that to your attention.

Sir, based on your experience, is there an appreciable difference or any difference at all in the cost of construction for either kind of marker?

Mr. HAZELWOOD. The cost to the VA between the flat and upright?

Mr. RIDGE. Sure.

Mr. HAZELWOOD. It's about $20 or $30. The upright is about $20 to $30 higher than the flat to the VA per marker.

Mr. RIDGE. Have you seen any prepared studies—and you answered properly and correctly the questions about maintenance. It would probably be a pretty difficult thing to evaluate the cost of maintaining either one. Do you see there being a significant difference in the cost of maintaining a cemetery between either kind of marker?

Mr. HAZELWOOD. We don't, but what has happened is the country has gone to the professional care type of cemetery, where people running businesses in the form of cemeteries are trying to put as much population as they can in cemeteries and have gone to the perpetual care type of cemetery, where they can bring in more people on a smaller piece of property.

Mr. RIDGE. I have no further questions, Mr. Chairman.

Mr. SHELBY. Gentlemen, I appreciate your appearance. I know you are interested in this, but you also have given some objective testimony. Thank you for coming.

Our next panel will be Miss Darlene Krotulis, lending assistant of the Barnett Bank of Pasco County, and Mr. Robert Kimpton. Mr. Kimpton is with Veterans Village, I understand.

Your written testimony, if you have any, will be submitted to the record in its totality and made a part thereof. I want to tell you

how much I enjoyed touring Veterans Village earlier this morning. It gave us a first-hand look at a specially adapted house for veterans. We don't see that every day. I want to commend you for taking the time to do so, and for many of the things you have done for veterans.

All right, ladies first. Go ahead, Darlene.

STATEMENTS OF DARLENE KROTULIS, LENDING ASSISTANT, BARNETT BANK OF PASCO COUNTY; AND ROBERT C. KIMPTON, VICE PRESIDENT, PREMIERE GROUP-VETERANS VILLAGE

STATEMENT OF DARLENE KROTULIS

Ms. KROTULIS. I just had this passed down to me on Thursday, the reason being I have been doing VA loans for 10 years now.

When I first started, there was no VA funding fee whatsoever. Then it went to half-a-percent, which wasn't too bad, which the veteran had to put out of pocket, and then it went to 1. But when it went up to 5 percent, it was telling me that the VA was no longer wanting to do VA loans, because the point brought up was just the 5 points that the veterans would have to pay. It did not explain the 1 percent origination fee which does have to go to the lender, which now makes it 6 points.

There are closing costs that have to be given to the appraiser, to the title company, recording fees, that also put a great amount on the veteran to put out. Like you said, instead of no down payment, he has now got 6 points plus closing fees, which can now bring him up to a total of 8 points on top of his mortgage.

Then the discount points we won't even get into because that, again, is not concerned with the veteran, but in a way it is because the sellers do not want to go VA because of the time involved and the discount points on top of that. So it is taking a lot of the market away from the veteran and from the people that cannot afford a mortgage.

That's all I have to say on that.

Mr. SHELBY. Basically, what it would do is destroy the program, would it not?

Ms. KROTULIS. Yes; it would. It started to do that to a certain extent right now. We have people come in and ask about VA loans. The interest rate is much higher than our adjustable rate loans. The discount points, the points of closing costs, with all that involved in it, a lot of them do walk away from my desk.

Mr. SHELBY. Yes, sir; you may proceed.

STATEMENT OF ROBERT C. KIMPTON

Mr. KIMPTON. Well, I find it a little difficult for anyone to perceive that the veteran purchasing a residence in Florida, be it for work or for retirement, is operating in a vacuum. There is a marketplace out there right now, and for the first time in many years homes are available today, be it used homes or new homes, for less money than they were just a short time ago, as little as 2 years ago.

It is hard for me, as probably the largest veteran community developer in the State of Florida that I'm aware of, to sit here and tell you that we have discontinued on the last final homes at Vet-

erans Village offering the veterans home loan guaranty program because we are finding it so difficult in the marketplace that we can't afford the costs associated with the program.

I can offer in my office, through the builder bond program, financing that is just slightly under the 13-percent rate with costs that are less today and compete with my price headon in the marketplace much better than I can using the guaranty program.

I think it is very important to note that we have constructed 2,200 homes in basically a 9-year period, but that only around 100 in the last year, two-thirds of which were paid for cash and did not utilize any financing program. The percentage of loans to cash purchasers is a complete reversal from our experience. In 1976, when we opened Veterans Village and interest rates were 7 percent, essentially 100 percent of the people who came to us because they were accessed by the military magazines could buy a smaller home but at a 7-percent interest rate and have a monthly mortgage payment of only about $168 a month for principal, interest, taxes and insurance.

If a veteran were to take a 13-percent loan out there today and pay essentially $55,000 for his house, it would cost him approximately $12 a thousand if he used the 100-percent loan guaranty. If you say 50 times 12 to make the numbers easier, he would have a $600 a month house payment and the market says for retirement housing that becomes prohibitive. These people are on Social Security. A great many of our customers are disabled veterans and derive a good share of their income from disability payments, most of which are service-connected.

To add another 5 points to the burden of the veterans loan is absurd. It is a back door way of saying that there isn't going to be a program for the veteran. The program is barely competitive in economics today. Anybody that knows and understands the program realizes that when the veteran purchases a house under the guaranty program that there's costs involved in that program and their's are contained in the price of the home. To bury our heads in the sand to pretend that doesn't happen is just not really in the best interest of the veteran.

Mr. SHELBY. We appreciate your appearing before us.

Congressman Bilirakis.

Mr. BILIRAKIS. Mr. Chairman, just very quickly.

Darlene, Barnett apparently makes a fairly large amount of VA loans?

Ms. KROTULIS. No; we do not.

Mr. BILIRAKIS. You do not?

Ms. KROTULIS. No. We do participate in it——

Mr. BILIRAKIS. Why not?

Ms. KROTULIS. Because of the costs involved. Like I said, we will have them sit down, and I could almost get them into a 95-percent conventional for less money than they would have to go for VA, if they're putting up 6 percent plus.

Mr. BILIRAKIS. Well, the Barnett Bank is willing to make VA loans?

Ms. KROTULIS. Yes, we are.

Mr. BILIRAKIS. But you're not making them because the veteran is not coming to you——

Ms. KROTULIS. Correct.

Mr. BILIRAKIS [continuing]. Because of the costs involved.

Ms. KROTULIS. We do because Barnett is one of the main banks in the area that does FHA–VA.

Mr. BILIRAKIS. Well, I commend Barnett for that. There are many financial institutions that refuse to do it, is that correct?

Ms. KROTULIS. That's correct.

Mr. BILIRAKIS. Why is that, do you think?

Ms. KROTULIS. Because of the redtape involved, the long period of time, and also they don't want to get into them because not many people want VA loans because of that reason. We get very few people that come in for that.

Mr. BILIRAKIS. Have you experienced, or has Barnett experienced, to your knowledge, many instances of foreclosures of veterans' loans?

Ms. KROTULIS. No.

Mr. BILIRAKIS. Those few that have been made have worked out; is that basically what you're saying?

Ms. KROTULIS. Correct.

Mr. BILIRAKIS. You know, this increase to 5 percent has not taken place yet. But basically you're telling us that just the fear among the veterans about it is keeping them away, is that right; the fear that it is going to go up that high is keeping them away?

Ms. KROTULIS. No, the costs that are involved right now, the closing costs and what have you.

Mr. BILIRAKIS. That are involved right now.

Ms. KROTULIS. Yes, the discount points, and the long period of time for processing.

Mr. BILIRAKIS. Well, that is something that concerns us greatly. I know, if that were to go through, it would be over our chairman's dead body. He's a pretty tough guy and I don't expect it to go through.

Thank you very much.

Mr. SHELBY. Congressman Ridge.

Mr. RIDGE. Thank you, Mr. Chairman.

Let me just follow up. If I understand correctly, the bank really doesn't service too many VA applications because even now, with a 1-percent loan origination fee, even now, the VA is not competitive with conventional financing?

Ms. KROTULIS. Correct.

Mr. RIDGE. And does part of that problem have to do with shifting of some of the burden to the seller in terms of points?

Ms. KROTULIS. Correct. Discount points, when just before the rates did go up to 13, you were looking at points of approximately 7 to 8 percent.

Mr. RIDGE. Discounted at 7 to 8 percent?

Ms. KROTULIS. Yes. And on top of that the veteran has the 1 percent origination fee and the 1 percent VA funding fee, so you're looking at possibly 10 points, without other closing costs whatsoever.

Mr. RIDGE. I think the Senate Budget Committee's recommendations came out not taking it from 1 percent to 5 percent, but 1 to 3.8. It sounds to me like any elevation of that fee, any elevation, would pretty much close the door on all future VA loans.

Ms. KROTULIS. Yes.

Mr. RIDGE. I appreciate that, and I appreciate your testimony.

Mr. Kimpton, I just wanted to commend and congratulate you for the community you helped to develop. As we were chatting just previously to coming over here, not only have you erected homes and quality constructed homes, but obviously have enhanced and helped create a spirit, where everybody we talked to in the village certainly enjoyed living there. So we appreciate you talking the time to show us that. Thank you.

Mr. KIMPTON. I would like to add one last comment. In my 10-year tenure out there I have had occasion to have a lot of important Congressmen and Senators visit Veterans Village. It seems that more often than not they came immediately prior to the election and not very much substantive effect was ever felt from their visits. But since Congressman Bilirakis has been involved out there, I have seen a great deal of concern for veterans and I know it is well appreciated.

Mr. SHELBY. Thank you both for appearing here.

Our next panel is Mr. Arthur Hamerschlag, Deputy Chief Memorial Affairs Director, Veterans' Administration, and Mr. Vernon Birkhimer, Advisory Committee on Memorial Affairs.

Gentlemen, your written testimony will be submitted to the record, without objection. We will keep the record open for a week for any additional comments you may choose to make. If you would, briefly sum up your comments.

STATEMENTS OF ARTHUR S. HAMERSCHLAG, DEPUTY CHIEF MEMORIAL AFFAIRS DIRECTOR, VETERANS' ADMINISTRATION, AND VERNON J. BIRKHIMER, MEMBER, VA ADVISORY COMMITTEE ON CEMETERIES AND MEMORIALS

STATEMENT OF ARTHUR S. HAMERSCHLAG

Mr. HAMERSCHLAG. Thank you very much, Mr. Chairman, and members of the subcommittee. I would like to thank you on behalf of Chief Memorial Affairs Director, Paul T. Bannai, for the opportunity to appear before you today.

As you noted, Mr. Birkhimer is here with me.

I believe that one of your main interests is construction of the new national cemetery here in Florida, and I will address most of my remarks to that subject.

I would like to talk a little bit about the Bay Pines National Cemetery, which closed to new interments back in 1964. We were able to identify some additional gravesites, though, and did reopen the cemetery just last July. The interment rate has exceeded our expectations, about 75 a month, and we now project that Bay Pines will have depleted full-casket grave space by January 1987. However, Bay Pines does have the capacity to accommodate several thousand cremated remains, even after closing to casketed remains.

The new national cemetery in Florida is being constructed on 400 acres in the Withlacoochee State Park, which the State is donating to the VA. The site will provide space for approximately 180,000 interments. We estimate that will serve veterans through the year 2030.

We current estimate milestone dates as follows: We hope to obtain clear title to the land by June of 1985; complete working drawings in October of 1985; award construction in January of 1986; and complete construction in May of 1987.

I have a few slides with me, if the committee would like to take the time to see those slides.

Mr. SHELBY. How long will it take?

Mr. HAMERSCHLAG. Three or four minutes.

Mr. SHELBY. Go ahead and do it.

[Slide presentation.]

Mr. HAMERSCHLAG. I hope we can get the lights dimmed, if at all possible. [Slide.]

This first slide is a photograph of the actual property. As you can see, it is very pretty, with live oak trees, palms and palmettos there in the background. We will try to preserve as much of this natural setting as we can. [Slide.]

I would like to take you on a brief tour through these plans, if I can. This is an overview of the entry area, with the entrance on the right of the slide. [Slide.]

This is an artist's conception of what coming into the entrance of the cemetery would be like. [Slide.]

This is another artist's sketch of a close up of the entrance. I would like to point out, however, that the sign says "Florida National Cemetery," and the cemetery has not been officially named yet. [Slide.]

This is an overview coming from the entrance at the top down from the administration building, which is on the left of the slide, coming into a looped road. [Slide.]

This is back to an overview of an interment shelter which will be placed away from the gravesite for interment services. It is very peaceful setting there. [Slide.]

Here is a ground view of the interment shelter, an artist's conception of what that might look like. [Slide.]

On Memorial Day and Veterans' Day, we would anticipate the cemetery to be the center of special commemorative services. This is an artist's concept of how the flagpole and assembly area for that purpose might look. [Slide.]

Here is an overview of the maintenance complex, where our equipment would be stored. [Slide.]

And then back out, the view leaving the cemetery from up above.

That concludes the slides. I will go ahead and continue, if I might.

With regard to uprights versus flats, no specific decision has been made with regard to the cemetery here in Florida. However, under existing policy, we would anticipate using flat markers as the trend locally appears to be for flat markers at such private cemeteries as Memorial Park, Sylvan Abbey, and Chapel Hill.

In arriving at such decisions in the past, the VA has relied heavily on recommendations from its Advisory Committee on Cemeteries and Memorials. Mr. Vernon J. Birkhimer, who is a member of that committee, is here today and will be able to provide some background on how the Advisory Committee might approach a marker recommendation.

That concludes the summary of my statement, and I appreciate the opportunity to be here today.

[The statement of Arthur S. Hamerschlag appears at p. 38.]

Mr. SHELBY. Do you have any statement, Mr. Birkhimer, or are you just accompanying Mr. Hamerschlag?

Mr. BIRKHIMER. I have a statement, sir.

Mr. SHELBY. Go ahead.

STATEMENT OF VERNON J. BIRKHIMER

Mr. BIRKHIMER. Mr. Chairman and members of the subcommittee, I would like to thank you for the privilege of appearing before you today, and also to express my personal appreciation, as a resident of Florida, that you are having a hearing here in our State.

I come before you as a member of the VA Advisory Committee on Cemeteries and Memorials. This is a 12-member committee established by the Congress in 1973 to advise the VA on a variety of matters touching on the national cemetery system. Our members come from diverse backgrounds, and several are past national commanders of major service organizations. My own experience is with cemetery management, reaching back to 1933. I have supervised municipal cemeteries, private and nonprofit, memorial park cemeteries, government cemeteries, and systems for Richmond, VA, Lakeland, FL, as well as a military cemetery in Normandy, France.

My purpose today is to give you some background on how marker styles have been selected for the large new regional cemeteries that have been developed over the last 10 years.

Back in 1976, the Advisory Committee recommended that flat bronze markers be used for the new regional cemetery then being built at Riverside, CA. It was felt that these would be in keeping with the shrine-like atmosphere that was being planned for the cemetery. Monumentation for the other new cemeteries would be considered according to the unique environment of each plan and location. All of the new regional cemeteries—places like Calverton on Long Island, Indiantown Gap in Pennsylvania, and Massachusetts National Cemetery on Cape Cod—have flat markers.

Just last September the Advisory Committee reaffirmed its previous recommendation on this subject.

In considering the type of marker to be recommended for a new national cemetery, the Advisory Committee, like anyone else, is going to be concerned about the cost and about good maintenance. We are also interested in local practices, which here in Florida would certainly suggest that flat markers are the norm. Most of all, we are going to be concerned with a sense of human dignity and with the appropriateness of the marker to the cemetery environment.

The Advisory Committee has not addressed a specific type of marker for the new national cemetery being built here in Florida. I will be pleased to carry any views expressed on the subject today back to the Advisory Committee for their consideration.

Mr. Chairman, this concludes my statement. I thank you very much for the honor of appearing before your subcommittee today.

Now, I would just like, with your permission, to add one thing in view of my years of service and not through my intelligence. The

cemeteries are composed of four different types of cemeteries in our country—religious, national or governmental cemeteries, the new memorial park concept that started in 1927, and the private traditional cemeteries. That's basically where the directors serve without compensation. In other words, there is no money involved in the profits. It all goes back into a trust fund.

The important structure of any cemetery is the perpetual care. There has been some talk here today about the flat and upright markers. I would like to say that when you think of cemeteries you do not think of any connection as to generations. They are forever. A business has a life expense, but a cemetery is forever.

Today we are faced with a tremendous increase in vandalism, where people driving into the cemeteries have mistakes with their automobiles. Maybe they will knock down by accident a group of markers. Then, of course, you have the financial aspect and the ability to keep the cemetery's beauty with a flush marker. So much of the new equipment today is based on the on-site marker.

I believe that's all I have to say. Thank you for your consideration.

Mr. SHELBY. Does that conclude your oral statement?

Mr. BIRKHIMER. Yes, it does.

Mr. SHELBY. The Chair recognizes the gentleman from Florida, Mr. Bilirakis, first.

Mr. BILIRAKIS. Thank you, Mr. Chairman.

Mr. Birkhimer, I would like to commend you, sir, for your work on the Advisory Committee. I know that the input coming from people such as you is of great value. As an individual, and as a veteran, with all due respect I would disagree with your comments regarding the flat marker, because I feel a veteran and his family ought to have an option of whether it should be an upright or a flat. But I do commend you, sir, for your comments.

I might add that Mr. Paul Bannai, the Director of Memorial Affairs, has always been very good to work with, very cooperative and always available. We appreciate it very much.

I would like to share with the audience that Mr. Arthur Hamerschlag, who just testified, was very recently appointed Deputy Chief Memorial Affairs Director for Mr. Bannai and this is his first appearance before a Congressional committee, so he will remember New Port Richey, FL, I guess, for the rest of his life. I welcome you, gentlemen, and Mr. Hamerschlag particularly, to this area of Florida and I congratulate you on your new appointment.

Very quickly, sir, I appreciated the slide presentation on behalf of myself and all the veterans in this area. We have been pushing for the Withlacoochee site as a national cemetery for quite some time. We received a commitment I guess back in 1983 and we are pleased to see it is moving right along. So we are planning to start construction at the tail end of 1986, November of 1986, apparently?

Mr. HAMERSCHLAG. I believe we start construction in May 1986.

Mr. BILIRAKIS. There construction award is January of 1986.

Mr. HAMERSCHLAG. Yes, and the construction itself starts shortly thereafter.

Mr. BILIRAKIS. So it has been moved up, then. And as I understood it, the spring of 1988 was given to me as the target date of completion, but now the target date is May 1987?

Mr. HAMERSCHLAG. Yes.

Mr. BILIRAKIS. So everything has been moved up by a year and we are all very grateful for that. Thank you very much, gentlemen, for coming.

Thank you, Mr. Chairman.

Mr. SHELBY. Congressman Ridge.

Mr. RIDGE. Mr. Chairman, I just want to extend my appreciation to Mr. Hamerschlag for his testimony and to Mr. Birkhimer. It is a very important advisory committee, with only 12 serving on it nationwide. The fact that Mr. Birkhimer has served so long is really appreciated by all veterans everywhere, even those in Pennsylvania. Thank you.

Mr. SHELBY. Thank you, gentlemen.

Our next panel is going to consist of veterans service organizations, Mr. Edwin Shuman, State Commander, VFW; Joe Bryant, former commander, American Legion Post 15; Katherine Robinson, publicity chairman, American Legion Post 79; and Marty Comer, president, Vietnam Veterans of Tampa Bay. Please come on up to the table.

As I said previously to the other witnesses, your written testimony will be submitted to the record and made a part thereof, without objection. Please briefly sum up your comments. It will leave us time to comment and ask you questions.

Mr. Shuman.

STATEMENTS OF EDWIN H. SHUMAN, COMMANDER, DEPARTMENT OF FLORIDA, VETERANS OF FOREIGN WARS OF THE UNITED STATES; MARTY COMER, PRESIDENT, VIETNAM VETERANS OF TAMPA BAY, INC.; KATHERYN ROBINSON, PUBLIC RELATIONS OFFICER, PARADISE POST 79, THE AMERICAN LEGION; AND JOSEPH BRYANT, FORMER COMMANDER, AMERICAN LEGION POST 15

STATEMENT OF EDWIN H. SHUMAN

Mr. SHUMAN. Thank you.

My name is Edwin Shuman. It is my privilege to be serving as the State Commander of the Veterans of Foreign Wars. We currently have 65,000 members in our State. Our Ladies Auxiliary also boasts a membership of 25,000. On behalf of these 90,000 individuals, we welcome you and your subcommittee to the great State of Florida.

Mr. Chairman, the Veterans of Foreign Wars continues to consider the VA Home Loan Guaranty Program as one of the most successful and beneficial programs available to veterans. As you know, a vast number of veterans would not be in their homes today if it were not for this program. Of all the loans that have been granted since the beginning of this program, 3.6 percent of the national total has been guaranteed in the State of Florida. In addition, there have been more than 12,000 mobile home loans guaranteed in Florida, accounting for 13 percent of all loans of this nature.

Since there is over a million-and-a-half veterans in the State of Florida at this time, we can see nothing but potential for a continued demand on the program in our State. For this reason, we be-

lieve the Loan Guaranty Program should continue to enjoy the full support of the Congress and the administration. The President's fiscal year 1985 budget is recommending two proposals which would, in our opinion, severely undermine this highly successful program.

The first would increase the user fee for a VA guaranteed loan from 1 to 5 percent. Since the Veterans of Foreign Wars opposed the establishment of a user fee and its subsequent increase from one-half of 1 percent to a full 1 percent, we are now even more committed in our opposition to any proposed excessive and unwarranted increase.

One of the attractive features of the home loan guaranty is the provision of not requiring a down payment. Many of Florida's two income families can manage a large monthly mortgage payment. However, they have not been able to save enough capital to meet the stiff down payment requirements of a commercial lending institution. In our opinion, the user fee is, in effect, a down payment without the benefit of reducing the amount to be financed.

Of course, one may opt to have this fee incorporated into the loan. This is, however, not advantageous to the veteran. Assuming $60,000 to be the average VA guaranteed loan, a $3,000 user fee would be assessed. This original $3,000 amount amortized over 30 years at today's rate would require the veteran to actually pay over $11,000 more. In addition, there is the very real possibility of lenders requiring increased compensation for the higher risk of lending an amount greater than the value of the property. If a veteran opts to amortize the user fee and not render a down payment, the lender would then have to grant a loan for the current value of the property plus the user fee.

Mr. Chairman, the administration is also proposing to repeal the Veterans' Administration's authority to establish a home loan interest rate. We believe departing from this policy would be a serious mistake and detrimental to the veteran's best interest.

At present, the VA only establishes the maximum interest rate a veteran can pay on a guaranteed loan. Even though lenders may charge a lesser rate, cases such as these are rare or nonexistent. We believe, should our veterans be forced to negotiate this rate, they will ultimately pay higher rates than they do now with an administered rate.

One reason for this anticipated higher interest payment is the fact that the lenders set the rate. Because most home buyers do not shop around for the best lender package, we do not foresee the competitive factor holding down the rate. In addition, VA guaranteed loans offer various benefits that are not always available on conventional loans. Assumability, no prepayment penalties, and fixed rates are attractive terms that private lenders may consider are justification for assessing higher rates.

Not only would the veterans experience increased expenses with a negotiated rate, we believe the VA would also witness increased claim costs should foreclosure proceedings occur. When a VA guaranteed loan goes to foreclosure, the claim is paid with interest based on the mortgage rate. Inasmuch as we expect higher interest rates, should this proposal be enacted, it can only be expected that outlays will increase from the Loan Guaranty Revolving Fund. As

one can deduce, it would be very difficult to predict future revolving fund outlays with such a variance of interest rates thorughout the Nation.

Finally, Mr. Chairman, it should be noted that the Housing Act of 1985, would provide for the repeal of the FHA's negotiated interest rate policy, a policy which did nothing to reduce the lender's point requirement.

Mr. Chairman, that concludes my testimony on the home loan program, but I would like to make a few remarks concerning the Withlacoochee National Cemetery, with your permission.

Mr. SHELBY. Go right ahead.

Mr. SHUMAN. The Veterans of Foreign Wars in this State has lobbied and worked long and diligently to get a national cemetery within our State boundaries. We have had the support of other veterans' organizations. But there are a couple of things that come to mind at the present time.

First, it has been mentioned that there might be a difference in the cost of whether you use a flat marker or an upright marker. I think the cost of buying one of the Nation's veterans should never enter into it whatsoever. It is our belief that we are promised to be buried in a national cemetery and, therefore, whether there's a $20 difference or a $30 difference in an upright or flat marker should never even be considered.

Second, I know that upright markers are used in some parts of the Nation due to snow. If it snows in the Withlacoochee State Forest, we'll move the cemetery some place else.

I also believe the veteran's family should have a choice, upright or flat. But thirdly, since we worked so long to get this cemetery in Florida, I don't think there is any veterans organization in this State that is going to argue or start a hassle if Congress decides to use flat markers or upright markers, whichever the case may be. All we would like to see in the cemetery is uniformity. If you decide to go with a choice to the veteran's family or widow, if we have a choice, then let's just make it uniform throughout the cemetery so that one part will be upright and one part will be flat, and the cost of maintenance shouldn't even enter into it.

It has been my privilege to address this distinguished subcommittee and I thank you for the honor.

[The statement of Edwin Shuman appears at p. 39.]

Mr. SHELBY. Marty Comer, president of Vietnam Veterans of Tampa Bay.

Mr. COMER. Thank you, Mr. Chairman.

Mr. SHELBY. Your testimony, as I said, will be submitted for the record. Please sum up your remarks.

STATEMENT OF MARTY COMER

Mr. COMER. My name is Marty Comer and I am president of Vietnam Veterans of Tampa Bay, a Florida State-chartered, nonprofit veteran service organization; president of the Veterans Council of Hillsborough County, State-chartered council of all veteran service organizations within the county of Hillsborough, State of Florida; and I also serve as first vice president of Vietnam Veter-

ans of Florida, a coalition of all identified Vietnam veterans service organizations within the State of Florida.

I would like to thank you for inviting me to testify before this subcommittee and for providing me with the opportunity to present the views of the veterans with whom I have contact. I am honored to speak in behalf of rather than for my comrades.

First I would like to address the issue of national cemeteries and, more specifically, provisions for grave markers within our national cemeteries.

Since the grave marker is a final tribute to our comrades who have given so much to their country, we should make every effort to comply with the individual veteran's final request. It is understood that a cost effective and uniform plan for cemetery layout is of primary concern. However, we should also recognize that gravesites and markers are for the living, a lasting monument for the families of our veterans.

It is the position of the veterans who were contacted in this regard that the selection of grave markers, either flat or elevated, should be an option of the veteran and/or his or her family. Given the degree of today's groundskeeping technology and the fact that the flat marker requires edging and the elevated marker requires trimming, the veteran option seems reasonable. Since we now have both in place throughout our national cemetery system, one foreseeable objection might be location of the marker. There were no objections that I could ascertain to having different areas within the cemeteries designated for different types of markers.

When I was first asked to give testimony in regard to the home loan guaranty program, I must confess that I felt ignorant and uninformed on the subject. However, I soon found that I was not alone in my ignorance. I accepted the invitation viewing this as an opportunity to learn more about the program.

Based on what I have been able to learn within the past 5 weeks, I am of the opinion that veterans who choose to take advantage of this program are basically uninformed and at the mercy of the moneylenders of this society. They are given little or no advice or counseling by the Veterans' Administration before making the major purchase of their lives. Counseling may not be a current functon of the Loan Guaranty Section of the Veterans' Administration. If it were, we would probably see marked reductions in the cost and rate of repossessions among veteran homeowners. Presumably cost is a factor in the rationale for considering an increase in the percentage of the origination fee currently being assessed. Further, realtors I have consulted are mixed on their specific knowledge of the program. Generally, there was widespread ignorance of the program and evidence that the Veterans' Administration needs to step up its own awareness programs on all fronts—to veterans, realtors, and mortgage brokers.

The question of increasing the origination fee for VA guaranteed loans from 1 percent to 5 percent also raises the question of need and justification of need. When the program was initiated in the 1930's, a veteran could purchase a home for, say, $6,000. Today that home is $60,000 on average. With a constant 1 percent fee, the amount of actual dollars charged for originating the loan has in-

creased with the market. This is probably a fair and affordable situation to all concerned.

To increase the origination fee to 5 percent, even though there is a willingness by lenders to finance the difference over the term of the loan, may terminate the program. The potential veteran homeowner, according to an employee of the VA's home loan section, is looking only at what his monthly payment will be. An increase of 4 percent over the life of a 30-year loan of $60,000 at 12 percent interest—which has gone up since I wrote this—is going to increase the cost of the home to the veteran by almost $20,000, or over $50 a month. I am concerned that any increase in fees will take veterans who need assistance the most out of the marketplace.

In regard to the VA's authority to set maximum home loan interest rates, it is felt that there has been no major abuses of this authority. Historically, interest rates set by the VA have been competitive and consistent with the market.

As a former employee of the Veterans' Administration, with all due respect, I can assure this committee that the VA's budgetary problems can be handled internally without any increase in fees to veterans. I have borne witness to tremendous sums of surplus moneys being spent toward the end of fiscal years by managers and supervisors who feared the loss of appropriation for the following year if they returned any of their surplus funds. I suspect that this practice is widespread and may apply to virtually every Government-funded program.

It is the position of the veterans contacted that any increase in loan origination fees to veterans will render ineligible veterans who are most in need of the home loan guaranty program, and further, that there was no justification for increases in origination fees.

There is need for internal change in the way the veteran is qualified for home loans, such as orientation and education as to the loan process. Additionally, the VA could expand its loan programs beyond conventional fixed rate mortgages into some of the more creative financing available on the open market. The original concept of the program was to help veterans purchase homes.

Thank you.

Mr. SHELBY. Miss Kathryn Robinson, publicity chairman, American Legion Post 79.

STATEMENT OF KATHRYN ROBINSON

Mrs. ROBINSON. Thank you, sir. I am Katie Robinson, Post 79, the American Legion. I am also the 16th district executive committeewoman. I am going to keep this extremely short.

I am speaking as and on behalf of the enlisted retirees on fixed incomes, and I know first hand about the VA Home Loan Program. I tried three times in the past to get a loan, and all three times the VA loan was refused. In fact, the realtor would not even consider it because of the redtape and because of the points and all those other problems that Darlene brought up before.

I recently tried again for a VA home loan to purchase a mobile home. It was refused for the same reason, plus the fact that the mobile home was not new.

Now, if I could afford the financing the lending companies want, I wouldn't need a VA loan under its original concept. I feel that to benefit those of us who truly need the break that originally came with the VA home loan, it is wrong to even raise that fee from 1 to 5 percent. Instead of coming up with a program that will eat up our retirement pay, come up with a program that will allow people like me on a fixed income to buy a home.

Please remember that all of us who retired as enlisted are not making the fabulous kind of pay that the public is led to believe that all military veteran retirees make. Like many others of my era—and I'm not that old, but I'm still not that young—I'm in what you call a Catch 22 situation. I'm too young for Social Security and I'm too old to start a new career; too handicapped to work, not handicapped enough for 100-percent disability; too rich for food stamps and too poor to live. Thank you.

[Applause.]

Mr. SHELBY. Mr. Joe Bryant, former commander, American Legion Post 15.

STATEMENT OF JOSEPH BRYANT

Mr. BRYANT. Thank you, Mr. Chairman. I represent American Legion Post 15 from Dade City. The general consensus is for the flat marker, and they also are, of course, for a new cemetery, which is in our area. I don't believe that we should have this choice between the flat or standup marker. That would defeat its own purpose. I can see no reason at all for that. I think we should totally eliminate that. They either ought to put it one way or the other. Thank you.

Mr. SHELBY. We appreciate all of your testimony. I am going to first recognize the gentleman from Florida, Mr. Bilirakis.

Mr. BILIRAKIS. I don't have any questions, Mr. Chairman. I just wanted to clarify Mr. Bryant's point.

Those of us who want the option, Mr. Bryant, feel that there would be sections of the cemetery designated, so that if someone has the option of a flat marker, that would be in one section of the cemetery, not a hodge-podge, where there would be a flat marker next to an upright marker. So it's critical that we don't do that.

Well, Katie, what can I say about your testimony, and Ed and Marty. Marty, by the way, is a gentleman who has volunteered his services on behalf of veterans in Hillsborough County particularly, through my office. I consider him a special assistant on veterans affairs. He's a very eloquent young man.

My thanks to all of you. I really appreciate your taking the time.

Mr. SHELBY. Congressman Ridge.

Mr. RIDGE. Marty, I asked the question earlier of the number of Vietnam veterans who have purchased homes. Do you have any idea what the breakdown might be among those that have purchased the first time conventionally and those that have used VA first time?

Mr. COMER. No, sir, I really don't have any knowledge of that. I have purchased both ways myself, though. My first home was purchased through the VA. I was very grateful that I had the opportunity to use that program because at the time I wouldn't have been

able to purchase otherwise. My second purchase, however, was more advantageous for me to go the other ways, through a conventional loan.

Mr. RIDGE. Just out of curiosity, did the purchaser of your first home assume the mortgage?

Mr. COMER. Yes, he did, and I believe he was another veteran.

Mr. RIDGE. That's a very attractive feature of the VA loan guaranty program, the assumability, although it's only attractive when the interest rates——

Mr. COMER. At that point in time, when the interest rates were stable for a few years in a row there, that was an advantage. With what happened in the late seventies to the interest rates, going up sometimes as high as 20 percent, it became a distinct disadvantage.

Mr. RIDGE. Well, if it's any consolation, I serve on the Banking Committee and we've had all kinds of economists and experts try to explain to us why those rates are higher than a lot of us think they should be. There is certainly no consensus, but what is even more troublesome, they still aren't coming down the way they want them to. Thank you.

Mr. SHELBY. Katie, I appreciate your remarks very much. I think you spoke well for a lot of us. Thank you all for appearing here.

Our next panel will be Mr. Frank Heald, chairman, Suncoast Veterans Affiliated Council; Anthony Merola, commander, VFW Post 4412; Alexander Nicolini, commander, American Legion Post 26; and Elmer Quist, service officer, DAV Chapter 78.

Mr. Heald, you may go ahead. Your written remarks will be submitted to the record, without objection. Please proceed with any comments you want to make.

STATEMENTS OF FRANK HEALD, CHAIRMAN, SUNCOAST VETERANS AFFILIATED COUNCIL; ANTHONY MEROLA, COMMANDER, VFW POST 4412; AND JACK RIBAUDO

STATEMENT OF FRANK HEALD

Mr. HEALD. Thank you, Mr. Chairman. I appreciate the chance to make this presentation.

Quite obviously, anything I say will be preaching to the choir on the VA loan and the raising of the fee to 5 percent. Everybody from the bankers on down to the veterans have already made their presentation on that.

As far as the memorial stones are concerned, when I went into the Navy, I stood up. I stuck my hand up, and when I go in the ground, that's the way I want my stone. I want it standing up just like I did.

On all these studies we have heard coming out about the monetary gains of retired veterans and military officers, there is one study I have never heard of, and that is the potential earning capability of a man that went in the service and a man who never went to the service. Is there any study that any of you gentlemen know of that has ever been made? From what I understand, it hasn't. But it seems that the veteran has a lower potential for earnings than anybody else, and this is why the Veterans' Administration, the VA home loan and the rest, came into being.

Other than that, I don't have much more to say. It's been said be everybody else.

Mr. SHELBY. Mr. Merola.

Mr. MEROLA. Mr. Chairman, I have a spokesman who will speak now, who knows all about the housing, Jack Ribaudo.

Mr. SHELBY. Go right ahead.

STATEMENT OF JACK RIBAUDO, MEMBER, VFW POST 4412

Mr. RIBAUDO. Thank you. I have had some experience as a lender in the past, and I had quite a few problems with the VA years ago, such as automatic funding.

Let's get to the basics. A lender finds the money to lend to the veteran. That's his responsibility. The lender puts the package together, he takes the credit report, the information for verification. He puts the whole package together. That's his risk and his cost.

Then he has to find a market for these loans. After he finds an investor, he has to work under the arrangements where he has to service these loans and he is responsible.

I just have one question. What justification does the VA have in charging 5 points? That's all I want to know. The lender doesn't take that. He's the guy that takes all the risks.

That's it. Thank you very much.

Mr. SHELBY. I think your question is a central question here. I appreciate your bringing it out like this.

The Chair recognizes the gentleman from Florida, Mr. Bilirakis.

Mr. BILIRAKIS. Tell me, Jack, what would you say as to the feeling of the veterans in your post and in the area as far as these cemetery markers are concerned?

Mr. RIBAUDO. The discussion has been going back and forth as to how high they could make the marker; if one guy's got one 3 foot high, could the next guy have one 5 foot high. It's quite open. I think the problems are multiple, as far as their religious backgrounds are concerned. It's difficult to make a decision as to whether they should be flat or upright, and how big.

Mr. BILIRAKIS. Would you want your family to have a choice?

Mr. RIBAUDO. Well, I'm from California so it's not fair. Out in California everything is flat. They just lay all markers down, all the big cemeteries. The reason for that is because it's cleaner and it's neater. You don't find some grotesque statues or stones and its easier to find without going through a lot of complications.

But getting used to it is difficult. Now the people out there just accept it. They have parties there, picnics, on the same ground, without stubbing their toe. It's a marvelous idea.

Mr. BILIRAKIS. Tony, do you have any feeling on that?

Mr. MEROLA. I think they should have a choice on it.

Mr. BILIRAKIS. Frank? You have told us you want an upright, but would you want your family to have the choice, knowing that you wanted an upright, that they would have a choice?

Mr. HEALD. Absolutely. Could I make one more comment? I slipped up in my notes.

At the Veterans Council meeting I was given a mandate to come here and make this one statement, that if it's a cost that's being increased to the veterans, if it's a benefit that they're trying to

take away from the veterans, the Veterans Council believes that we should stand as we are and quit this either charging us more for our benefits or, if it's more charge, taking them away from us.

Mr. BILIRAKIS. I would say to all three of you gentlemen, particularly on the loan origination fee, that I can't think of a single member of the Veterans' Affairs Committee who wants to see that fee increased. Let's face it, that's where it's at. Obviously, the floor of the House will determine it. But I think we all have confidence about it—and we're recommending in our budget report that it remain at 1 percent, the budget that we submitted. In any case, we'll see.

Thanks again for your testimony. We appreciate seeing you.

Mr. SHELBY. Congressman Ridge, do you have a comment?

Mr. RIDGE. I have nothing, Mr. Chairman.

Mr. SHELBY. Thank you, gentlemen.

Our next panel will be our last panel, Mr. George Renninger, 2nd Vice Commander, American Legion Post 173—that's Congressman Bilirakis' Legion Post—William C. Padgett, Commander of the DAV Chapter 120; Herbert Moore, Commander, VFW Post 10109—I think he's ill and I'm not sure he's here—George Johnson, Commander, VFW Post 2550; and Charles A. Schumacher. Gentlemen, if you all would come forward.

We have had the benefit of a lot of other testimony here this morning. If you have written testimony it will be submitted to the record and made a part of the hearing record, without objection. We will leave the record open for an additional week if you want to submit additional written comments. You can also send it to Congressman Bilirakis and that, too, will be included in this hearing.

If you would now, sum up your comments briefly. Who wants to be first?

STATEMENTS OF GEORGE JOHNSON, COMMANDER, VFW POST 2550; WILLIAM C. PADGETT, COMMANDER, DAV CHAPTER 120; GEORGE RENNINGER, SECOND VICE COMMANDER, AMERICAN LEGION POST 173; AND CHARLES A. SCHUMACHER, DAV CHAPTER 103, DUNEDIN, FL

STATEMENT OF GEORGE JOHNSON

Mr. JOHNSON. Mr. Chairman, may I first say my name is George Johnson and I am Commander of VFW Post 2550 in Dunedin. I am very grateful for your allowing me to be heard here today.

My opening statement is this, that it is becoming increasingly evident to me, in all the years I have been associated with veterans affairs, that when we are not in conflict the veterans have to fight constantly to achieve some notariety or to get something completed. Personally, I have gone through almost five wars and I am reaching a point in the twilight of my years, and it has been a battle. My father had a battle in World War I to fight for a simple cause for the veterans. Here we go every year since World War II.

We got the GI bill of rights finally passed and now they're taking away the bill of rights. They are trying to cut into the budget, losing the veterans ability for veterans affairs. They are constantly doing it. Now that we're getting old, our incomes are limited, we want to be taken care of medically. We have to fight to get into a

VA hospital because they are lacking the funds to take care of some of the fellows that did sacrifice so much.

They put out, I think in 1935, the veterans housing affairs. Here we are again. I tried in 1973 to get a VA loan for a home on the east coast of Florida. My income was questioned. It was just impossible for me to get a VA loan.

Now I understand the same thing is happening—again, I haven't gotten involved recently in what's happening with this VA housing. I have fought with my fellow veterans, in my post, in my travels in the district, and I have found their feelings about an increase in this VA loan is detrimental to them. I personally feel very strongly that any infraction on this would be detrimental to any of us.

I think a cemetery program is long, long overdue. The hard work of our Congressman Bilirakis, who finally is getting some action, now they've got to say "well, what are you going to have?" We have to make a decision as to an upright or a flat marker. I think the decision belongs to us and our families. I have talked to many of my fellow veterans and they have told me that this decision—which, by the way, we don't have too many decisions to make—is one they would like to keep for the family. I strongly urge, Congressmen, that you push for the decision to be made by the family as one simple gesture on their behalf, to still recognize the fact of the sacrifices that we have made.

Thank you very much.

STATEMENT OF WILLIAM C. PADGETT

Mr. PADGETT. Mr. Chairman, my name is Bill Padgett. I am Commander of DAV Chapter 120 of Land o' Lakes and Lutz. I would like to take this opportunity to thank you for giving us the opportunity in Land o' Lakes to express our views.

Mr. Chairman, speaking for myself and the veterans that I have spoken with in my area, the proposal to increase the users fee from 1 to 5 percent, plus the removal of the Administrator's authority to set the interest rates on VA home loans, we feel that it would completely destroy the VA Home Loan Program. I strongly urge the committee to carefully evaluate the financial impact these two proposals will have upon the young veterans who are the primary beneficiaries of this program.

We also support the legislation proposed regarding the choice of gravesite markers in the national cemeteries.

Thank you, sir.

Mr. BILIRAKIS. Thanks, Bill.

Mr. SHELBY. Thank you, sir.

STATEMENT OF GEORGE RENNINGER

Mr. RENNINGER. I am George Renninger, 2nd Vice Commander, Post 173, American Legion, in Holiday, FL. Our post considers it an honor and an obligation to present its statement of position to the Subcommittee on Housing and Memorial Affairs at this field hearing. However, just about everything has been said.

I would like to add a couple of things. I would like to first comment on the administration's desire to increase from 1 to 5 percent the origination fee on all VA home loans.

First of all, as we have already heard, this program has not lost money in 40 years except for one year, 1983, which was a bad year for everyone.

I also would like to agree with Marty Comer on the VA Home Loan Program. There is a lack of education of the young veteran. When he gets out of the service he really hasn't been told his rights or obligations under the various programs.

I would like to add that we have heard figures of what it would cost the veteran over the life of a 30-year mortgage. I would like to echo the words of the American Legion National Commander when he said only the financially better off veterans would be able to get a VA home loan.

One other thing. The home loan program has been one of the great incentives for military service—to the volunteer military. Here we're taking away a great incentive, and also I think we're hurting ourselves when we're trying to keep our most qualified service men and women in the military for a career. We are taking something away from them, too, so it becomes less attractive to them.

But on the post level, where you deal with the veteran on the street every day, I think the most devastating effect of this proposal to raise the fee to 5 percent, is that such proposed legislation causes our large veterans population to increasingly feel they're in an adversary situation with the Government they have so honorably served.

There is a long list of proposed budget cuts. When the average person sees something like this, I find that's sad. It is basically the position of our post that we find the 5-percent origination fee on VA home loans unjust, unrealistic, and unacceptable.

As far as the grave markers, the testimony has been excellent and I have nothing much to add, except to say we believe that upright grave markers will present a correct final tribute from a grateful Nation.

We would like to thank the subcommittee for allowing us to present our position on these important issues.

Mr. SHELBY. Thank you.

Go ahead.

STATEMENT OF CHARLES A. SCHUMACHER

Mr. SCHUMACHER. Mr. Chairman, I am Charles A. Schumacher. I belong to Chapter 103, DAV, in Dunedin, but I am not representing that organization.

On the proposed increase from 1 to 5 points, I am not as concerned with that portion of the program. The one I am more concerned with is the present system of points, where a seller, selling a house to a veteran, the buying veteran is limited to only 1 point and the seller must pick up the additional discount points. It is presently 4 points.

Now, right now, I can't visualize how the people who have put this program together never realized that at some point in time

you would get one veteran selling to another veteran; therefore, you're giving preferential treatment to a buyer by saying he can only eat 1 point, while the selling vet has to pay 4.

Any shortfall that we develop in selling this house down here is going to cause a hardship where we are buying our new homes. Unfortunately, that new builder up here, U.S. Homes, which is a pretty active builder in Florida, will not accept VA financing. They told me that definitely.

Now, I have been discussing this in letters with Congressman Bilirakis. He spent quite a bit of time in answering my letters. He mentioned a few points on the program. He said some sellers are offsetting these points by having gone through negotiation between the asking price and the agreed selling price. In other words, Congressman Bilirakis is conceding that the veteran is, in a lot of cases, paying his own points because he can't buy the house the same as a cash buyer or somebody with conventional financing.

Now, if that is so, that program should at least be revised in the case where there's a buying and selling vet, so that the buying vet can waive that one-point stipulation and say "I will pay all the points."

Now, Congressman Bilirakis also says that this program is entirely voluntary for the buyer and the seller. I went to the Barnett Bank yesterday afternoon. On their rates on the VA loan and conventional financing, VA loans were 13 percent and 4 discount points, and conventional was 13½ and 3 points. I can see where a seller would have to mull over a whole deal like this before agreeing to eat those 4 points and agreeing to sell his house. The vet would have to be a prime idiot to refuse such funding, especially when somebody else is paying for it.

Now, the Government does not monitor when a vet goes out and buys a boat, an airplane, automobile, motorcycle, jewelry, but it does monitor when the vet wants to buy a house. I appreciate that a house is the one major purchase that a veteran makes, but the major portion of the veteran's income is spent on the other items that I pinpointed. Overall, the major portion is spent on those items.

Now, I have no objection to the guidelines of the VA Home Loan Program, such as the appraised value of the house, the inspection, termite inspection, the rigid controls over new construction. I think they're good. But once that criteria has been met, and it comes down to who's paying what, I think that should be left up to the buyer and the seller, especially when both of the people involved are veterans. I think we should take a page out of President Ronald Reagan's book and get the Government off the people's back.

Thank you.

Mr. SHELBY. Mr. Bilirakis, any comments?

Mr. BILIRAKIS. Only to thank these gentlemen.

Well, Mr. Schumacher, I think you certainly know how I feel about getting the Government out of our lives as much as possible. I guess I have quite an exception in my mind when it comes to veterans, because of what the veterans have done for this country, and also because we know, particularly those who have been in the service, with the sacrifices that have been made—we bandy that

word around, but the truth of the matter is, I guess, unless you've been there, unless you know what it's like to have your education interrupted or have your family interrupted, your job interrupted when Uncle Sam comes calling, you can talk about it but you can't really feel it.

For those reasons also, and not only for what the veterans have done for this country, in keeping it as a viable republic, but also because of the true sacrifices as a result of giving up so very much and then coming home after 2 or 3 or 4 years and having lost all that earning power and whatnot. So in my mind I have been able to rationalize an exception to the rule of keeping the Government out of our lives as far as veterans are concerned.

I appreciate all your comments.

George, did you intend to say, when you talked about the upright markers, that you felt there should not be an option, that you felt uprights ought to be basically mandated for all veterans?

Mr. RENNINGER. No, I didn't. It should be left up to the veteran to make that decision.

Mr. BILIRAKIS. Thank you very much, all of you.

Mr. SHELBY. Congressman Ridge?

Mr. RIDGE. I have nothing, Mr. Chairman.

Mr. SHELBY. First of all, I want to thank all of you for coming. This will conclude our panels.

I want to make one comment about Congressman Bilirakis. I serve with him on the Veterans' Affairs Committee in the U.S. House of Representatives, and also on the Energy and Commerce Committee, where he is a new member. He's a diligent, hard-working man—and this isn't just for home consumption. It is my privilege to be here with him in his home area.

Mr. BILIRAKIS. Thank you, Richard.

Mr. SHELBY. This will conclude our hearing.

[Whereupon, at 12:20 p.m., the subcommittee was adjourned.]

APPENDIX

STATEMENT OF THOMAS R. JENSEN

Mr. Chairman and members of the subcommittee, my name is Thomas Jensen. I am the Assistant Director of the VA Regional Office in St. Petersburg, FL. Accompanying me, are John Mason, loan guaranty officer, and Mr. Thomas Johnson, chief appraiser.

We are here today to present the views of the St. Petersburg Regional Office on the impact of two proposals in the administration's fiscal year 1986 budget: (1) increasing the funding fee from 1 percent to 5 percent and, (2) repealing VA's authority to set maximum loan interest rates.

We will also address the property appraisal process and review of some of the causes of defaults and foreclosures.

Since the proposed 5 percent funding fee may be financed over the term of the loan there still will be considerable demand for VA guaranteed loans. We feel that, even with a 5 percent funding fee, many veterans will choose to "go VA" because of the no-downpayment provision. However, there certainly will be somewhat less demand at any given rate of interest because the slightly higher monthly payments will cause some to fail to qualify and because the more sophisticated borrower will realize that 5 percent financed over 30 years amounts to a lot of money, which does not add to the veteran's equity in the property. Of course it is intended that all service-connected disabled veterans will continue to be exempt from payment of any funding fee.

As proposed, the increased fee would also be required on many VA financed sales of VA owned properties acquired as a resut of default and foreclosure. This clearly will not enhance our ability to sell such properties; and, consequently, could result in increased losses for the Government.

If the VA's authority to set maximum interest rates is repealed, veterans would be able to negotiate rates tailored to their needs and circumstances. Negotiability could prevent veterans from losing the opportunity to make a purchase when market conditions change as has happened under the fixed ceiling. We foresee no adverse effects in the proposal.

Title 38, United States Code, section 1810, limits the amount of a VA guaranteed loan on a property to the reasonable value of the property as determined by the agency. Appraisals are performed for the VA by qualified non-Government appraisers. Appraisers are instructed to estimate the reasonable market value of a property based upon sound appraisal practices. These appraisals are submitted to our office, and each is reviewed by a qualified staff appraiser. To supplement these office reviews, a sample of 10 percent of all appraisals are field reviewed. This means that our people personally inspect the properties.

We believe that the vast majority of appraisals performed for the VA in Florida accurately reflect their fair market value. The average VA purchase price nationwide for the past 12 months was $67,597. The average in Florida was $59,926. Only 3.8 percent of loans in Florida had purchase prices in excess of the VA determined reasonable value.

When a veteran, for whatever reason, will not or cannot continue to pay mortgage payments, the lender may exercise the right to commence foreclosure. In such cases the VA orders another appraiser to determine the current value of the property and to help determine whether it is in the interest of the Government to take title to the property following foreclosure. The appraiser is given the same instructions on foreclosure appraisals as on origination appraisals; i.e., estimate the reasonable market value. To prevent the foreclosure status of a loan from unduly influencing a determination of reasonable value by VA, all foreclosure appraisals on properties indicating values 20 percent or more below the original valuations are field reviewed.

The selection of appraisers to perform appraisal services for VA is controlled entirely by VA. Requests for specific appraisers made by prospective lenders are denied in deference to a rigid assignment, control, and oversight procedure.

Our office has identified six major reasons for default and foreclosure. They are: first, disregard for obligation, 35 percent; second, loss or reduction of income, 27 percent; third, over-obligation, 17 percent; fourth, marital problems, 10 percent; fifth, illness, 8 percent; sixth, transfer, 3 percent.

We also feel that the current high level of default throughout the country is due in part to the recent decline in the rate of real estate appreciation. If an individual experiences payment problems today after having owned a property for only a few years, there usually is very little equity to help cover delinquencies and costs of selling the property if he is fortunate enough to find a buyer. In such cases selling the property may not solve the individual's financial problems.

I am happy to be able to report to you that during fiscal year 1984 our office processed 7.1 percent of all VA guaranteed loans, but we had only 6.4 percent of all defaults.

This concludes our presentation. We will be happy to attempt to answer any questions you may have.

STATEMENT OF ARTHUR S. HAMERSCHLAG, DEPUTY CHIEF MEMORIAL AFFAIRS DIRECTOR, VETERANS ADMINISTRATION

Mr. Chairman and members of the subcommittee, I would like to thank you, in behalf of Chief Memorial Affairs Director Paul T. Bannai, for the opportunity to appear before you today.

I believe that one of your main interests is construction of the new national cemetery here in Florida, and I will address most of my remarks to that subject.

First, with your permission, I will offer a brief update on the other national cemeteries located in Florida.

St. Augustine, of course, is a very small cemetery which has been closed to new interments for some years. Barrancas National Cemetery, near Pensacola, has been averaging 600 interments a year for the past 5 years. We expect to have grave space available for full-casket burials until about September 1988. We have contacted the Navy about the possibility of acquiring additional land from them to expand the Barrancas cemetery. Closer to home is Bay Pines, which closed to new interments back in 1964. We were able to identify some additional gravesites, though, and reopened the cemetery just last July. The interment rate has exceeded our expectations—about 75 a month—and we now project that Bay Pines will have depleted full-casket grave space by January 1987. All national cemeteries can accommodate cremated remains, even if the are closed to full casket burials.

The new national cemetery in Florida is being constructed on 400 acres of land in the Withlacoochee State Forest, which the State is donating to the VA. The site will provide space for approximately 180,000 interments. We estimate that it will serve area veterans throughout our long-range planning period, which runs to the year 2030.

The VA has a budget of $6.5 million for building the cemetery. A contract for master planning has been awarded to the firm of Edward D. Stone, Jr. and Associates of Fort Lauderdale, and the project is well underway.

We currently estimate milestone dates as follows: Obtain title to land, June 1985; complete working drawings, October 1985; construction award, January 1986; complete construction, May 1987.

I have a few slides with me from what we call the concept drawings, if the subcommittee would like to see them.

(Slides if desired)

To move to another, and more controversial subject, the subcommittee also expressed interest in upright grave markers.

Briefly, my Department has regarded flat markers as a means of operating more efficiently, conserving cemetery land, and responding to prevailing concepts of cemetery design in the private sector. Many national cemeteries, even older ones like Bay Pines, have always had flat markers. All of our new regional cemeteries use flat markers, and they have been well accepted by the public.

No specific decision has been made with regard to the new cemetery under development here in Florida. Under existing policies we would anticipate using flag markers there. The trend locally appears to be for flat markers at private cemeteries such as Memorial Park, Sylvan Abbey, and Chapel Hill.

In arriving at such decisions in the past, VA has relied heavily on recommendations from its Advisory Committee on Cemeteries and Memorials. Mr. Vernon J. Birkhimer, who is a member of the Advisory Committee and a resident of Lakeland, Florida, is here today. He will be available to provide some background on how the Advisory Committee might approach a marker recommendation.

Mr. Chairman, this concludes my statement. Thank you for the opportunity to appear before you today.

STATEMENT OF EDWIN H. SHUMAN, COMMANDER, DEPARTMENT OF FLORIDA, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. Chairman and members of the subcommittee, thank you for the privilege of presenting to this distinguished subcommittee the views of the Department of Florida, Veterans of Foreign Wars of the United States, with respect to the VA's Home Loan Guaranty Program.

My name if Edwin H. Shuman and it is my distinct honor to be serving as the Florida State Commander of the Veterans of Foreign Wars. We currently have 65,000 members in our State and I am also proud to report our Ladies Auxiliary, under the very able leadership of President Patricia Tesch, boasts a membership of 25,000. On behalf of these 90,000 dedicated individuals, we welcome you and your subcommittee to Florida.

Mr. Chairman, the VFW continues to consider the VA Home Loan Guaranty Program as one of the most successful and beneficial programs available to veterans. As you know, a vast number of veterans would not be in their homes today if it were not for this program which, to date, has guaranteed over eleven million loans. Of this number, more than 408,500 loans, or 3.6 percent of the national total, have been guaranteed in the State of Florida. In addition, there have been more than 12,000 mobile home loans guaranteed in Florida, accounting for 13 percent of all loans of this nature. Since there are approximately 1.5 million veterans and in-service military personnel residing in Florida, the potential for continued demand on the program exists in our State. For this reason, we believe the Loan Guaranty Program should continue to enjoy the full support of the Congress and the administration. Unfortunately, the President's fiscal year 1986 budget is recommending two proposals which would, in our opinion, severely undermine this highly successful program.

One such proposal would increase the "user-fee" for a VA guaranteed home loan from 1 percent to 5 percent. Inasmuch as we opposed the establishment of a "user-fee" and its subsequent increase from one half of one percent to a full 1 percent, we are now even more committed in our opposition to this proposed excessive and unwarranted increase. One of the attractive features of the Home Loan Guaranty Program is the provision of not requiring a down payment. Many of Florida's two income families can manage a large monthly mortgage payment; however, they have not been able to save enough capital to meet the stiff down payment requirements of commercial lending institutions. In our opinion, the "user-fee" is, in effect, a down payment without the benefit of equally reducing the amount to be financed. Of course, one may opt to have this fee incorporated into the loan. This avenue, though, is hardly advantageous to the veteran. Assuming $60,000 to be the average VA guaranteed loan, a $3,000 user-fee would be assessed. This original $3,000 amount amortized over 30 years at todays current market rate would require the veteran to actually pay over $11,000 or nearly four times the required amount. In addition, there is the very real possibility of lenders requiring increased compensation for the higher risk of lending an amount greater than the value of the property. If a veteran opts to amortized the user-fee and not render a down payment the lender would then have to grant a loan for the current value of the property plus the user-fee.

Mr. Chairman, the administration is also proposing to repeal the Veterans Administration's authority to establish a home loan interest rate. We believe departing from this policy would be a serious mistake and detrumental to the veteran's best interest.

At present the Va only establishes the maximum interest rate a veteran can pay on a guaranteed loan. Even though lenders may charge a lesser rate, cases such as this are rare or non-existant. We believe, should our veterans be forced to negotiate this rate, they will ultimately pay higher rates than they do now with an administered rate. One reason for this anticipated higher interest payment is the fact that the lenders set the rate. Because most home buyers do not shop around for the best lender package, we do not foresee the "competitive factor" holding down the rate. In

addition, VA guaranteed loans offer various benefits that are not always available on conventional loans. Assumability, no prepayment penalties and fixed rates are attractive terms that private lenders may consider are justification for assessing higher rates.

Not only would the veterans experience increased expenses with a negotiated rate, we believe the VA would also witness increased claim costs should foreclosure procedings occur. As you know, when a VA-guaranteed loan goes to foreclosure the claim is paid with interest based on the mortgage rate. Inasmuch as we expect higher interest rates, should this proposal be enacted, it can only be expected outlays will increase from the Loan Guaranty Revolving Fund. As one can deduce, it would also be very difficult to predict future revolving fund outlays with such a variance of interest rates through out the Nation. Finally, Mr. Chairman, it should be noted the "Housing Act of 1985," would provide for the repeal of FHA's negotiated interest rate policy, a policy which did nothing to reduce the lenders point requirement.

Mr. Chairman, this concludes my testimony. I will be happy to respond to any questions you may have.

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